

HOW AN REA COOPERATIVE FUNCTIONS

Except for a small number of public power projects, all of the electric distribution projects organized by rural consumers with the help of REA have been set up to be operated on the cooperative plan. To make a cooperative enterprise succeed, it is essential that not only the members and directors but also the manager and his staff should be acquainted with cooperative principles and practices and should make a sincere effort to apply them at all times. This requires an understanding of the distinctive features of cooperative enterprise which arise out of such a joint effort of a group of people to serve themselves.

Cooperative ownership and operation of a service means that:

Ownership is in the hands of the very people who use the service.

The sole object of the enterprise is service to its user-members at the lowest possible cost.

All the gains and benefits of economical operation belong to the members as users, in proportion to the use made of the service by each member.

Control of the enterprise is democratic with each member having the same right to vote and the same voting power as every other member.

There should be no proxy voting on a scale that would concentrate voting power in a few persons and would tend to destroy the effectiveness of the principle of democratic control.

The governing body is elected annually by and from the user-members, by popular vote, and is charged with the operation of the enterprise in the interest of the users of the service.

The directors and elected officers serve without salaries, in recognition of the idea of mutual self-help which is basic to cooperative endeavor.

Service is intended for all people who can be served and who are willing to join as members.

The Extent of Cooperative Enterprise. Cooperative enterprise has become an integral part of the economic life of today. Since its beginning less than 100 years ago, the cooperative movement has grown until today it includes 100 million families in 40 countries. In Great Britain, Switzerland and the Scandinavian countries the cooperative wholesale societies are the largest dealers in consumer goods. According to a recent survey of the Farm Credit Administration, rural America has 15,000 cooperatives of all kinds, with a membership of more than 3,000,000 persons. In 1936, about 4,000 of these farmers' cooperatives returned \$25,000,000 to their members in patronage refunds alone, besides increasing their reserves. It can be seen from these facts that cooperation can be made effective.

While rural electric cooperatives are relatively new in America, they are an old story in some European countries. In Sweden, 50% of all rural electric distribution is done through cooperatives. Finland has about 400 rural electric cooperatives. In Denmark, an agricultural country, about 25% of all electric power consumed is distributed cooperatively.

The Technique of Cooperation. Sound management is, of course, basic to the success of any business, whether cooperative or not. But in addition, cooperative enterprise owes its universal success to the observance of certain principles which are inherent in the cooperative idea.

The cooperative principles, briefly stated, are:

1. Open membership - whoever can use the cooperative's service is welcome as a member.
2. Democratic Control - one member, one vote.
3. Invested capital gets no profits but only interest.
4. All gains belong to the members in proportion to their patronage.
5. Political, religious and racial neutrality.
6. Cash trading.
7. Education in cooperation.

Every one of these principles can be applied by REA cooperatives with good results.

Cooperative methods generally observed, in addition to the seven cooperative principles, are:

- (a) Goods and services are priced at a little more than estimated cost, to provide a margin of safety.
- (b) Part of net earnings is set aside in a reserve fund, until the reserve is large enough to meet any emergency.
- (c) Efficient bookkeeping, with periodic audits and regular, detailed reports to the membership.
- (d) The manager and anyone else handling funds must be bonded.
- (e) Neighboring cooperatives consolidate whenever greater efficiency or lower operating costs can be expected as a result.
- (f) Fair labor conditions for employees.

A cooperative organization is controlled by its members who are also the users of its services. The members elect a board of directors from among their own number. The officers (president, vice president, secretary and treasurer) are elected by and from the directors. The board hires a superintendent or manager and the latter usually has authority to hire any other needed personnel, subject to the approval of the board.

The bylaws of a cooperative are in effect a set of rules of conduct for members and directors. They state the qualifications and the rights and responsibilities of members and directors, provide for democratic procedure in the conduct of the affairs of the cooperative, establish the members as the controlling body and the board of directors as the body responsible

for management. It is important that not only the members and directors, but also the manager, be thoroughly familiar with the bylaws, as they also govern his relations to both members and directors. Every member of a cooperative should have an up-to-date copy of its bylaws.

The members, as the real owners of the cooperative enterprise, should show a constant, active interest. They should not interfere with the management but they should make sure that the management functions efficiently and honestly. Through their voting power they can control the board of directors which supervises the management. They should insist on being kept informed concerning the status of their cooperative enterprise and they should be willing to assist the board and the management in the task of holding down operating expenses, enlarging the membership and volume of business and constantly improving the quality of the service.

The board of directors should always be aware that it performs a trust function on behalf of the entire membership. Its powers stem from the members and must be used for their benefit. A director holds a position of honor and should be prepared to serve to the best of his ability, without other compensation than the knowledge that he is doing something for the good of his community. No one should be allowed to serve as director whose motives are in any way questionable.

The officers are charged with special responsibilities. Some of these are of a confidential or trust nature and should not be delegated to paid employees. However, the more time-consuming part of their work or duties requiring technical knowledge can be performed by the manager and his staff. It is customary in cooperatives for officers to serve without pay. This is in conformity to the idea of mutual self-help which is basic to all true cooperation.

The superintendent or manager is a paid employee who is charged with the actual operation of the enterprise. He takes his orders from the board as a whole and he directs the work of the other employees. If there is any tendency for individual directors to give orders to him or his personnel, he should insist that the board clearly establish the proper lines of authority, as he cannot otherwise be expected to do his job effectively. He is the keystone in the cooperative structure. His knowledge, resourcefulness, loyalty, honesty, interest in the job to be done, ability to get along with people and to enlist their good will, and ability to organize his work and the work of his staff effectively will have more to do with the success of a cooperative enterprise than any other single factor. He should thoroughly understand the cooperative way of doing business as it is part of his job to educate the membership in it.

The annual meeting of a cooperative is the biggest event on its calendar. It deserves to be prepared carefully and well. The members should be impressed with the importance of attending it. Arranging for some entertainment and, possibly, refreshments is a legitimate way of insuring a large attendance. Giving away a few electrical appliances as door prizes helps load building as well as building up attendance at meetings. Further details on planning the annual meeting are contained in RE Co-op Letter No. 3 of which additional copies are available.

The order of business should be so arranged that the meeting does not drag. Some interesting activity should fill in the time while ballots are being counted. A lengthy roll call can be avoided by checking members as they enter the hall. If they are given their ballots at the same time, there is less danger of irregularities in voting.

The officers and the manager should be prepared to give detailed reports on the progress of the cooperative during the past year and to answer questions of the members.

All voting should be done in such a way that no charge of undemocratic procedure can be raised. Provisions of the bylaws will, of course, have to be observed to make the voting legitimate.

Committees are an important part of any well-functioning cooperative. In an REA cooperative, there should be committees on membership, loan building and utilization, safety education, cooperative education, recreation, publicity and public relations. The chairman of each committee should be a director or at least a member of the cooperative. The other members of committees might include educators, agricultural experts, farm organization leaders, church leaders, leaders of women's clubs and other persons willing to work for the success of the project, whether they are members or not. These committees should hold frequent group meetings and the chairmen should report their progress and results to the board periodically.

Contact with the membership is important. Where an REA project is so large that the management can have little personal contact with the members, an occasional news letter sent to all members will be found useful. Special meetings devoted exclusively to utilization, education and recreation can sometimes be arranged in between the annual business meetings. Such special meetings can be held in various sections of the project, if necessary, so as to develop more local interest.

The Place of an REA Cooperative in the Rural Community. The coming of electricity to a rural community will have a far-reaching effect on the social and economic aspects of rural life. It will bring new comforts and conveniences to the farm home, enable the farmer to cut production costs and to raise the quality of farm products so they will bring better prices, improve facilities for carrying on church and community activities, and make it possible for boys and girls in rural schools to get a practical education that will fit them for the life of today and tomorrow.

But to bring all this about, it is necessary to make the people aware of their opportunities. They must first learn how they can use this new servant, electricity, to do all these things for them. This is an educational job in which the members, directors and managers of REA cooperative should take the lead. By cooperating with community leaders in teaching the uses and benefits of electricity, they will not only establish the REA cooperative as a constructive element in the community but they will also be working for the ultimate success of their REA project.

